

Fund Managers: Richard Pease, James Milne

TM CRUX European Special Situations Fund

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Equity markets rose in May. Inflation concerns grabbed investor attention as commodities of all kinds rose rapidly such as wood, oil, steel and copper. US consumer prices showed a sharp rise in April, mainly driven by fuel, food and car prices. Observers predicted that this might prompt central banks to raise interest rates more quickly than anticipated, and caused a sell-off in more highly-rated equities, including technology. However, nerves were calmed as central bankers made arguments about transitory inflation due to short-term re-opening bottlenecks, as well as suggestions that commodity prices are being driven by speculators more than underlying demand. Elsewhere, Bitcoin lost ground after the US sought to tighten tax reporting on trades, and both China and Tesla said they would not accept it as a payment. Against this background, the TM CRUX European Special Situations Fund lost 0.7% compared to the IA Europe ex UK sector which rose 1.6%.*

The fund underperformed due to being underweight consumer discretionary which gained in the wider market, and from a few disappointing holdings within the fund. Just Eat Takeaway slipped on news that a competitor would re-launch food delivery in Germany, despite the CEO admitting they would be unlikely to overtake Takeaway's leading position. Prosus lost ground as its main holding Tencent announced increasing investments to boost growth which will hurt short-term profits. Bright spots included logistics players Kuehne + Nagel and DSV on an improving economic outlook and Novo Nordisk on strong first quarter results. In terms of transactions, we trimmed Bawag, Alphabet and Spie after strong recent performance, and added Software AG which is trading at an attractive valuation and where we believe the CEO can deliver strong growth in the middleware business while maintaining the legacy database division.

Stock markets continue to obsess about inflation, whether it is transitory, and if central bankers will withdraw liquidity and raise interest rates sooner than expected. Investors have sometimes simplistically grouped companies into

*Source: FE 30.04.21 - 31.05.21 Bid-Bid, income re-invested GBP

Important Information

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rising rates beneficiaries or under-performers. This has led to valuation anomalies where companies have been sold off to attractive entry points given their growth outlooks. As bottom-up stock-pickers, the fund is a blend of valuations, though avoiding outliers such as deep value or at the other extreme, concept stocks with no earnings. The common theme is that we like resilient growth which is often augmented with bolt-on acquisitions. We continue to focus on companies that earn a high return on invested capital, resulting in a much higher metric than the wider market, but yet this is not yet reflected in valuations.

Important Information

Please note: Due to rounding the figures in the holdings breakdown may not add up to 100%. Unless otherwise indicated all figures are sourced from Financial Express, Datastream, State Street and CRUX Asset Management Ltd. Third party data is believed to be reliable, but its completeness and accuracy is not guaranteed.

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